

DCX Systems Ltd: Execution Uncertain; Awaiting Operational Clarity

Feb 13, 2026 | CMP: INR 167 | Target Price: INR 170

REDUCE

Expected Share Price Return: 0.7% | Dividend Yield: 0.0% | Potential Upside: 0.7%

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✗

Company Info	
BB Code	DCXINDIA IN EQUITY
Face Value (INR)	2.0
52-wk High/Low (INR)	364/153
Mkt Cap (Bn)	INR 18.6/\$ 0.21
Shares o/s (Mn)	111.4
3M Avg. Daily Volume	15,96,679

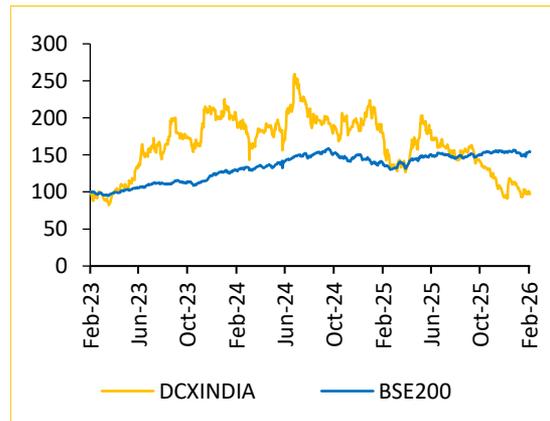
Change in CIE Estimates						
	FY26E			FY27E		
INR Mn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	12,245	12,787	(4.2)	13,837	15,089	(8.3)
EBITDA	61	13	369	125	211	(40.8)
EBITDAM %	0.5	0.1	40bps	0.9	1.4	(50)bps
PAT	486	536	(9.3)	562	726	(22.6)
EPS	4.4	4.8	(8.3)	5.0	6.5	(23.1)

Actual vs CIE Estimates			
INR Mn	Q3FY26A	CIE Est.	Dev. (%)
Revenue	1,211	2,174	(44.3)
EBITDA	(51)	(104)	N/A
EBITDAM %	(4.2)	(4.8)	55bps
PAT	(24)	25	N/A

Key Financials					
INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	14,236	10,837	12,245	13,837	15,636
YoY Growth (%)	13.6	(23.9)	13.0	13.0	13.0
EBITDA	799	46	61	125	141
EBITDAM (%)	5.6	0.4	0.5	0.9	0.9
Adjusted PAT	758	389	486	562	623
EPS	6.8	3.5	4.4	5.0	5.6
ROE (%)	6.7	2.8	3.4	3.8	4.0
ROCE (%)	10.9	5.2	5.5	5.9	6.3
P/E(x)	24.5	52.5	38.2	33.0	29.8
P/BV (x)	1.6	1.3	1.3	1.3	1.2

Shareholding Pattern (%)			
	Dec-25	Sep-25	Jun-25
Promoters	52.17	52.17	52.17
FII	1.06	1.48	0.17
DII	3.64	3.22	4.56
Public	43.15	43.14	42.56

Relative Performance (%)			
YTD	3Yr.	2Yr.	1Yr.
BSE 200	54.0	20.3	13.0
DCXINDIA	(2.9)	(48.9)	(43.0)



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Execution Uncertain; Awaiting Operational Clarity

We believe DCX Systems delivered another **materially weak quarter**, with continued pressure across revenue, margin and profitability. **Execution challenges were there in the past and still persist.** It **raises concerns** regarding the company's ability to convert its order pipeline into sustainable earnings. Moreover, the management's limited communication with the shareholders and lack of execution clarity add to near-term uncertainty.

As of September 2025, while the **order book remains healthy at ~INR 2,600 Cr (~2.4x FY25 revenue)**, backlog strength **alone is insufficient without consistent execution** and margin stabilisation. Repeated quarterly underperformance has **weakened confidence in delivery timeline** and operating leverage assumption. **At this stage, visibility on earnings normalisation remains limited.**

The only **structural positives lie in broader geopolitical realignments.** The strengthening of **India-US defence relationship and Israel's potential shifting of defence manufacturing to India** could create incremental outsourcing **opportunities for domestic EMS players**, such as DCX. However, these **remain optionalities** rather than near-term drivers of earnings.

Given the persistent execution gaps and lack of margin recovery, we maintain a cautious stance on DCX. We maintain our **REDUCE** rating with a revised **target price of INR 170, valuing the stock at 30x of FY28E EPS.** We would turn constructive only upon tangible evidence of sustained execution improvement, margin stabilisation and stronger management communication.

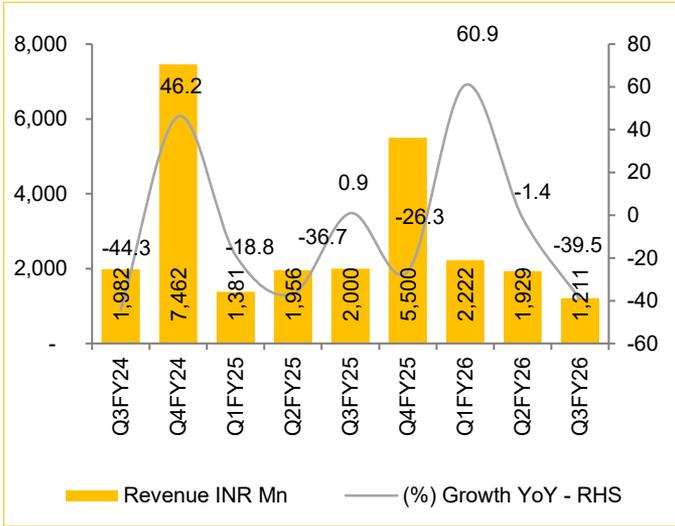
Another Disappointing Quarter

- Revenue for Q3FY26 down 39.5% YoY and down 37.2% QoQ at INR 1,211 Mn (vs CIE est. INR 2,174 Mn)
- EBITDA for Q3FY26 came in at INR -51 Mn (vs CIE est. INR -104 Mn). EBITDA margin stood at -4.2%, which contracted by 574 bps YoY (vs CIE est. -4.8%)
- PAT for Q3FY26 came in at INR -24 Mn (vs CIE est. INR 25 Mn). PATM contracted by 701 bps YoY, reaching -2.0% (vs CIE est. 1.2%)

Particulars (INR Mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Revenue	1,211	2,000	(39.5)	1,929	(37.2)
Material Exp	1,070	1,858	(42.4)	1,798	(40.5)
Gross Profit	140	142	(1.5)	131	7.4
Employee Exp	72	57	25.6	166	(56.7)
Other Exp	120	55	116.8	92	29.3
EBITDA	-51	30	N/A	-128	NA
Depreciation	40	35	13.2	38	5.0
EBIT	16	177	(91.0)	-46	NA
Other Income	107	182	(41.1)	120	(11.1)
Interest Cost	9	17	(46.2)	7	22.8
PBT	7	159	NA	-53	NA
Tax	31	59	(47.8)	37	(17.0)
RPAT	-24	100	NA	-90	NA
Adj EPS (INR)	-0.2	0.9	NA	-0.8	NA

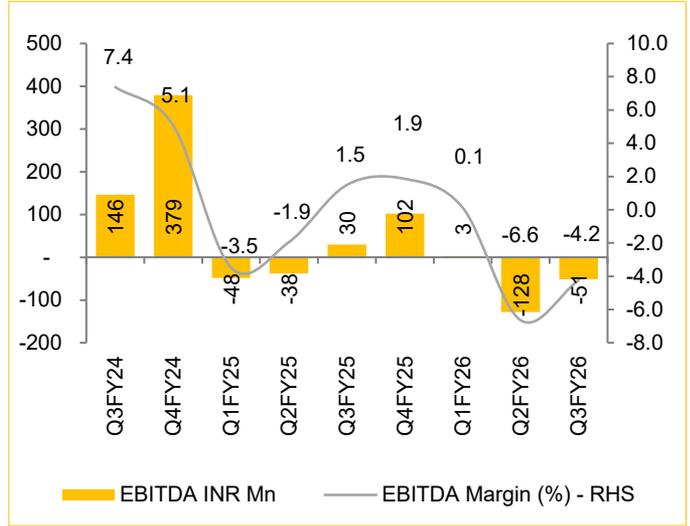
Margin Analysis	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (bps)
Gross Margin (%)	11.6	7.1	446.2	6.8	481.1
Emp. % of Sales	5.9	2.9	308.0	8.6	(267.3)
Other % of Sales	9.9	2.8	712.1	4.8	508.4
EBITDA Margin (%)	-4.2	1.5	(574.0)	-6.6	240.0
APAT Margin (%)	-2.0	5.0	(701.0)	-4.7	268.3

Revenue down by 39.5% on a YoY basis



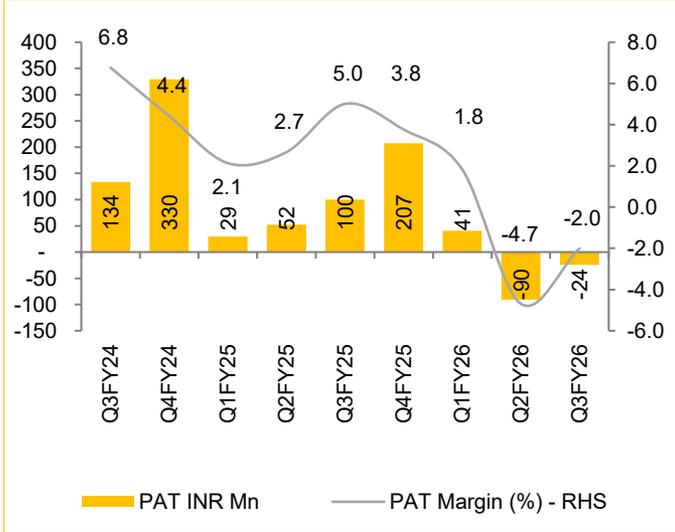
Source: DCXINDIA, Choice Institutional Equities

EBITDA margin contracted 574 bps on a YoY basis



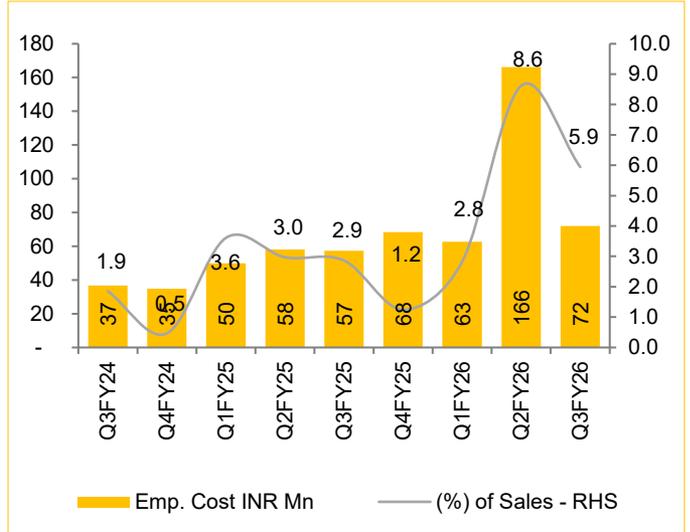
Source: DCXINDIA, Choice Institutional Equities

RPAT down significantly on a YoY basis



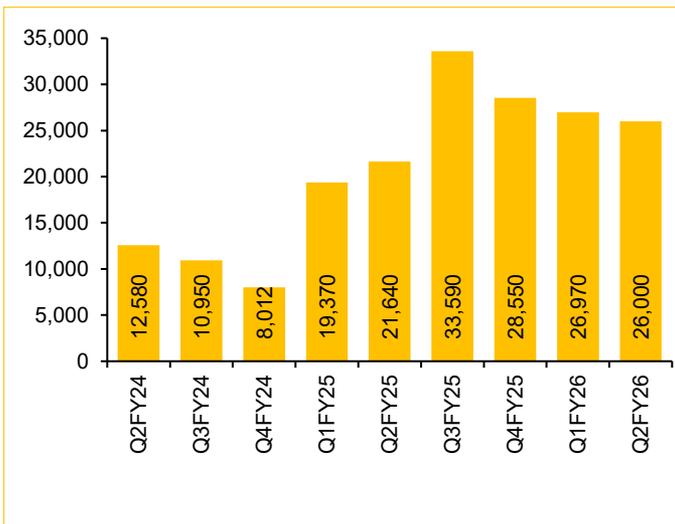
Source: DCXINDIA, Choice Institutional Equities

Employee cost trend



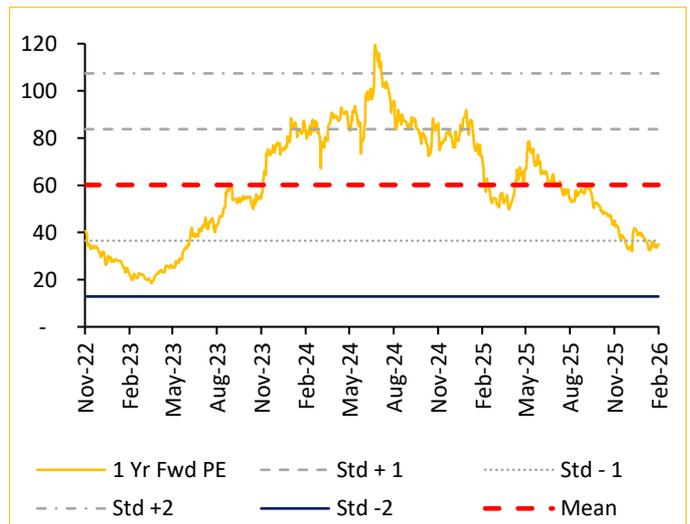
Source: DCXINDIA, Choice Institutional Equities

Order book position as of September 2025



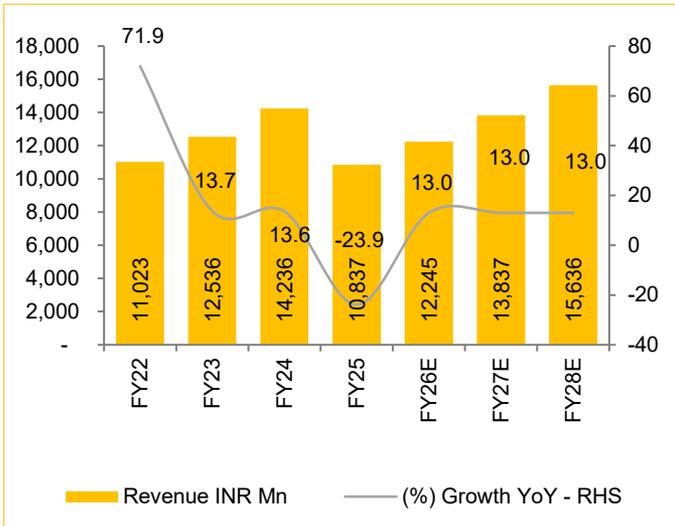
Source: DCXINDIA, Choice Institutional Equities

1-yr forward PE band



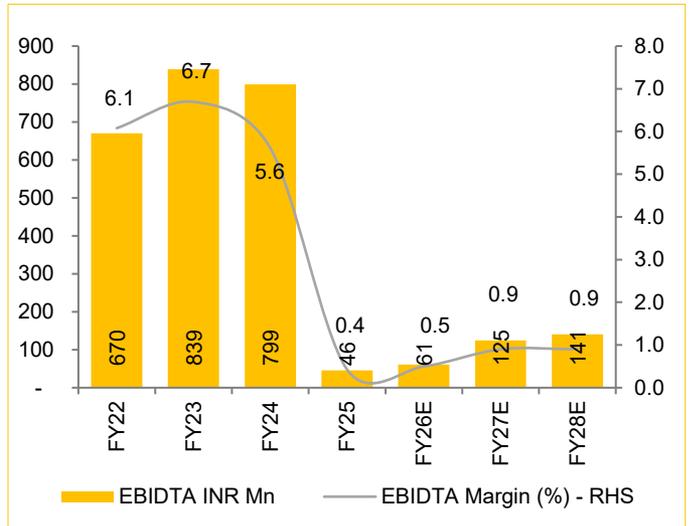
Source: DCXINDIA, Choice Institutional Equities

Rev. expected to expand 13.0% CAGR over FY25–28E



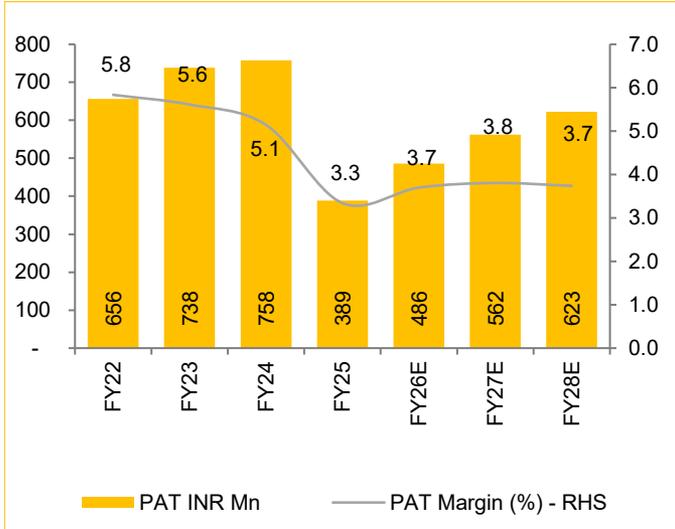
Source: DCXINDIA, Choice Institutional Equities

EBITDA margin improvement anticipated



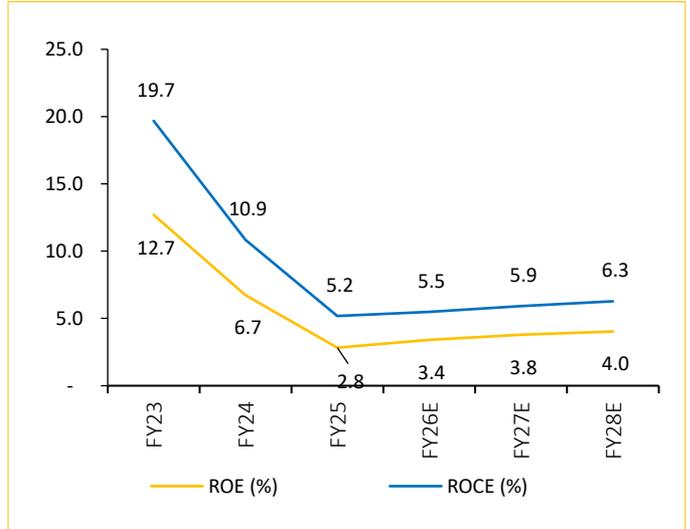
Source: DCXINDIA, Choice Institutional Equities

PAT projected to expand 17.0% CAGR FY25–28E



Source: DCXINDIA, Choice Institutional Equities

ROE & ROCE trend



Source: DCXINDIA, Choice Institutional Equities

Income Statement (Consolidated – INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Revenue	14,236	10,837	12,245	13,837	15,636
Gross Profit	1,070	477	857	969	1,095
EBITDA	799	46	61	125	141
Other Income	496	800	880	924	1,017
Depreciation	51	134	160	175	190
EBIT	1,244	713	782	874	968
Interest Expense	298	109	35	10	10
PBT	946	604	747	864	958
Reported PAT	758	389	486	562	623
EPS	7.6	3.5	4.4	5.0	5.6

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios					
Revenue (%)	13.6	-23.9	13.0	13.0	13.0
EBITDA (%)	-4.8	-94.2	32.8	103.4	13.0
PAT (%)	5.2	-48.7	24.9	15.7	10.8
Margin Ratios					
EBITDA Margin (%)	5.6	0.4	0.5	0.9	0.9
PAT Margin (%)	5.1	3.3	3.7	3.8	3.7
Performance Ratios					
ROE (%)	6.7	2.8	3.4	3.8	4.0
ROCE (%)	10.9	5.2	5.5	5.9	6.3
Turnover Ratio (Days)					
Inventory	52	97	96	95	95
Debtors	171	56	56	56	56
Payables	101	34	34	34	34
Cash Conversion Cycle (Days)	123	119	118	117	117
Financial Stability Ratios					
Net Debt/Equity (x)	-0.5	-0.7	-1.2	-1.2	-1.2
Net Debt/EBITDA (x)	-6.9	-217.6	-270.9	-141.6	-133.4
Interest Cover (x)	2.5	-0.8	-2.8	-5.0	-4.9
Valuation Metrics					
Fully Diluted Sh. (Mn)	111.4	111.4	111.4	111.4	111.4
Price (INR)	166.6	166.6	166.6	166.6	166.6
Market Cap (INR Mn)	18,554	18,551	18,551	18,551	18,551
P/E (x)	21.9	47.7	38.2	33.0	29.8
EV (INR Mn)	13,051	8,516	1,962	913	(225)
EV/EBITDA (x)	16.3	184.7	32.0	7.3	(1.6)
BVPS	101.1	123.5	127.8	132.9	138.5
P/BV (x)	1.6	1.3	1.3	1.3	1.2

Source: DCXINDIA, Choice Institutional Equities

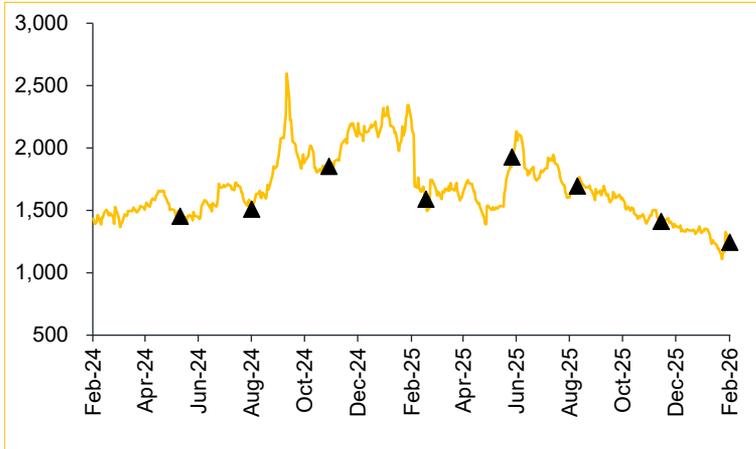
Balance Sheet (Consolidated – INR Mn)

Particular	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	11,263	13,752	14,238	14,800	15,422
Total Debt	2,906	0	0	0	0
Otr Long Term Liab.	19	52	-	-	-
Trade Payables	3,920	1,012	1,143	1,292	1,460
Other Curr Liabilities	366	4,225	8,068	9,117	10,302
Total Liabilities	18,473	19,041	23,449	25,208	27,184
Net Fixed Assets	556	693	634	559	470
Otr Non-curr Asset	104	2,837	65	65	65
Inventories	2,035	2,890	3,221	3,602	4,070
Trade Receivables	6,671	1,652	1,867	2,109	2,384
Cash & Bank Bal.	8,408	10,035	16,589	17,638	18,776
Other Current Assets	699	934	1,074	1,235	1,420
Total Assets	18,473	19,041	23,450	25,209	27,184
Capital Employed	11,465	13,752	14,238	14,800	15,422
Invested Capital	3,056	3,717	-2,351	-2,839	-3,354
Net Debt	-5,502	-10,035	-16,589	-17,638	-18,776
FCFF	-393	4,687	3,869	1,059	1,148

Cash Flows (INR Bn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	44	4,959	3,969	1,159	1,248
Cash Flows from Investing	-13	-2,386	2,672	-100	-100
Cash Flows from Financing	2,418	-946	-87	-10	-10

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Net Profit Margin	5.3%	3.6%	4.0%	4.1%	4.0%
Asset Turnover	77.1%	56.9%	52.2%	54.9%	57.5%
Financial Leverage	164.0%	138.5%	164.7%	170.3%	176.3%
ROE	6.7%	2.8%	3.4%	3.8%	4.0%

Historical Price Chart: CONCORD



Date	Rating	Target Price
May 29, 2024	BUY	1,715
August 13, 2024	BUY	1,691
November 12, 2024	BUY	2,208
February 17, 2025	BUY	2,027
June 2, 2025	BUY	2,120
August 12, 2025	BUY	1,965
November 17, 2025	ADD	1,615
February 13, 2026	ADD	1,400

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
 *Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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